

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

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INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 AGR-20

LAB-06 PA-04 TAR-02 USIA-15 PRS-01 SWF-02 DRC-01

AF-10 ARA-16 EA-11 NEA-14 /258 W
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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7313

INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

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AMEMBASSY PARIS

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AMEMBASSY ROME

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TAGS: PFOR, ETRD, EEC, XH

SUBJECT: ECONOMIC COOPERATION AGREEMENTS TO BE SUBJECT TO
COMMUNITY SCRUTINY

REF: A) EC BRUSSELS 4584 (NOTAL) E) BUCHAREST 2790 (NOTAL)
B) EC BRUSSELS 5570 (NOTAL) F) BONN 12102 (NOTAL)
C) THE HAGUE 3514 (NOTAL) G) BONN 12104 (NOTAL)
D) BUCHAREST 3057 H) NATO 4185 (NOTAL)

1. SUMMARY: ON JULY 22-23, THE EC COUNCIL AGREED TO
A COMMISSION PROPOSAL WHICH WILL REQUIRE CONSULTATION,
BOTH WITH THE COMMISSION AND AMONG THE MEMBER STATES,
BEFORE A MEMBER STATE CONCLUDES AN AGREEMENT ON
ECONOMIC AND INDUSTRIAL COOPERATION WITH A THIRD COUNTRY.
THE COUNCIL TOOK THIS STEP IN ORDER TO CLOSE A LOOPHOLE
IN THE COMMON COMMERCIAL POLICY TOWARD EASTERN EUROPEAN
STATES AND TO GIVE A COMMUNITY CAST TO AGREEMENTS BETWEEN
MEMBER STATES AND OIL-PRODUCING COUNTRIES. END SUMMARY.

2. AS THE JANUARY 1, 1975 DEADLINE APPROACHES FOR THE
COMMISSION TO ASSUME FULL RESPONSIBILITY FOR NEGOTIATING
COMMERCIAL AGREEMENTS BETWEEN THE COMMUNITY AND THE
STATE-TRADING COUNTRIES OF EASTERN EUROPE, THERE HAS BEEN
GROWING CONCERN IN THE COMMISSION ABOUT THE INCREASE IN
COOPERATION AGREEMENTS BETWEEN MEMBER STATES AND THE
EASTERN EUROPEAN COUNTRIES. THE WIDESPREAD TENDENCY AMONG
THE MEMBER STATES TO CONCLUDE ECONOMIC AND INDUSTRIAL
COOPERATION AGREEMENTS SEEMS TO BE AN EFFORT TO CONTINUE
BILATERAL RELATIONS WITH EASTERN EUROPE DESPITE THE
TREATY PROVISIONS PUTTING TRADE RELATIONS ON A COMMUNITY
BASIS. THIS SEEMING CONTRADICTION IN THE ACTIONS OF THE
MEMBER STATES - ON THE ONE HAND AGREEING TO A COMMUNITY
COMMON COMMERCIAL POLICY VIS-A-VIS THE STATE-TRADING
COUNTRIES AS OF JANUARY 1, 1975 (THEREBY NULLIFYING
EXISTING BILATERAL TRADE AGREEMENTS) AND ON THE OTHER
HAND CONCLUDING COOPERATION AGREEMENTS MAINTAINING
BILATERAL RELATIONS - APPEARS TO BE A FUNCTION OF
PRESSURE FROM THE EASTERN EUROPEAN COUNTRIES FOR
CONTINUATION OF BILATERAL AGREEMENTS AND POLITICAL
CONSIDERATIONS ON THE SIDE OF THE NINE. THE EAST
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EUROPEANS MAY FEEL THEY WILL BE AT A DISADVANTAGE IN
NEGOTIATING WITH THE LARGER AND MORE POWERFUL COMMUNITY
BLOC (SEE PARA 4, REF H). SOME OF THEM MAY FEAR A
COUNTER MOVE BY THE SOVIETS TO CONDUCT EAST-WEST
ECONOMIC RELATIONS ON A COMECON-EC BASIS. BOTH SIDES
CONTINUE TO ATTACHE POLITICAL IMPORTANCE TO BILATERAL
ECONOMIC RELATIONS. ACCORDINGLY, THE EASTERN EUROPEANS
HAVE BEEN TENACIOUS IN THEIR ATTEMPTS TO INTERPRET

BROADLY THE PROVISIONS OF THE NEW BILATERAL COOPERATION AGREEMENTS. THEY HAVE GONE TO CONSIDERABLE LENGTHS TO ENDOW THEM WITH THE CHARACTERISTICS OF TRADE AGREEMENTS (SEE REFS F AND G) AND THE MEMBER STATES HAVE BEEN, FOR THE MOST PART, WILLING COOPERATORS IN EFFORTS TO CONTINUE THE SUBSTANCE OF BILATERAL AGREEMENTS.

3. IN ADDITION TO THE INCREASE OF COOPERATION AGREEMENTS WITH EASTERN EUROPEAN COUNTRIES, THERE HAS BEEN A RISE IN THE NUMBER OF SUCH AGREEMENTS WITH OIL PRODUCING STATES. WHILE LESS SPECTACULAR, THIS DEVELOPMENT HAS ALSO CAUSED CONCERN IN THE COMMISSION BECAUSE OF THE LACK OF COORDINATION AMONG COMMUNITY MEMBER STATES AND THE FEAR THAT INDIVIDUALLY NEGOTIATED AGREEMENTS WOULD LEAD TO COMPETITIVE OVERBIDDING FOR OIL. IN ADDITION, COMMISSION VICE PRESIDENT SOAMES EXPRESSED HIS CONCERN THAT AT LEAST ONE OF THESE AGREEMENTS--BETWEEN THE FRG AND IRAN--AS PRESENTLY PROPOSED WOULD INVOLVE AN EXTENSION OF PREFERENTIAL TARIFF TREATMENT (SEE EC BRUSSELS 5665 AND 5760).

4. BECAUSE OF THE INCREASING IMPORTANCE OF COOPERATION AGREEMENTS, THE COMMISSION PROPOSED A PROCEDURE OF OBLIGATORY EXCHANGE OF INFORMATION AND CONSULTATION WHICH WAS APPROVED BY THE COUNCIL AT ITS JULY 22-23 MEETING (REFTELS A AND B). THE REQUIREMENT FOR THE EXCHANGE OF INFORMATION APPLIES NOT ONLY TO THE AGREEMENTS THEMSELVES, BUT ALSO TO THE COMMITMENTS AND MEASURES ENVISAGED BY THE MEMBER STATES WHICH MIGHT AFFECT COMMON POLICY. (THIS CONSULTATION ALSO CONCERNS THOSE AREAS OF COOPERATION WHICH WOULD NORMALLY BE BEYOND THE COMPETENCE OF NATIONAL AUTHORITIES, FOR EXAMPLE, RELATIONS BETWEEN A EUROPEAN FIRM AND THE EXPORT OR IMPORT AGENCY OF AN EAST EUROPEAN LIMITED OFFICIAL USE

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MINISTRY.) THE CONSULTATION WOULD TAKE PLACE IN A SPECIAL COMMITTEE WHICH WOULD INCLUDE REPRESENTATIVES OF MEMBER STATES AND THE COMMISSION.

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5. CONSULTATION MAY BE REQUESTED BY EITHER THE COMMISSION
OR A MEMBER STATE AND IS TO TAKE PLACE WITHIN THREE WEEKS
OF THE DATE OF REQUEST. IT MUST BE CONCLUDED BEFORE THE
PROPOSED AGREEMENT IS INITIALED BY THE NEGOTIATING
PARTIES. THE INTRA-EC CONSULTATIONS IS TO ENSURE THAT THE
AGREEMENTS THEMSELVES AND THOSE MEASURES CONTEMPLATED

BY THE NATIONAL AUTHORITIES ARE CONSISTENT WITH COMMON EC POLICIES, PARTICULARLY THE COMMON COMMERCIAL POLICY. THE PROCESS WILL ALSO PROVIDE AN OPPORTUNITY FOR MEMBER STATES TO IDENTIFY PROBLEMS OF COMMON INTEREST AND WILL PERMIT THEM TO COORDINATE THEIR ACTIONS VIS-A-VIS A GIVEN THIRD COUNTRY. FINALLY, THE PROCESS WILL PERMIT MEMBER STATES TO EXAMINE THE ADVISABILITY OF UNILATERAL (USUALLY PROTECTIVE) MEASURES IN THOSE AREAS COVERED BY ARTICLE 113 OF THE ROME TREATY.

6. IN DISCUSSING THE NEW PROCEDURE WITH A SENIOR COMMISSION OFFICIAL, HE UNDERScoreD THE DISTINCTION BETWEEN TRADE AND COOPERATION AGREEMENTS, SAYING THAT THIS IS SOMETHING WHICH WAS NOT ALWAYS CLEARLY UNDERSTOOD EVEN WITHIN THE COMMISSION. THE COMMISSION NOW NEGOTIATES, AND THEN PROPOSES TO THE COUNCIL FOR APPROVAL, ALL TRADE AGREEMENTS WITH THIRD COUNTRIES, EXCEPT FOR STATE-TRADING COUNTRIES. IN THE CASE OF STATE-TRADING COUNTRIES, THE COMMISSION WILL ASSUME THESE DUTIES ON JANUARY 1, 1975. INDIVIDUAL MEMBER STATES ARE NO LONGER FREE TO MAKE BILATERAL COMMITMENTS CONCERNING TRADE. THOSE BILATERAL TRADE AGREEMENTS PRESENTLY IN EFFECT BETWEEN MEMBER STATES AND EASTERN EUROPEAN COUNTRIES ARE DUE TO EXPIRE ON DECEMBER 31, 1974. (THERE ARE A FEW AGREEMENTS WHICH WERE ENTERED INTO BY THE THREE NEW MEMBER STATES BEFORE THEY JOINED THE EC WHICH WILL RUN FOR ONE ADDITIONAL YEAR, I.E. UNTIL DECEMBER 31, 1975).

7. IN THE CASE OF COOPERATION AGREEMENTS, MEMBER STATES ARE STILL FREE TO NEGOTIATE ON A BILATERAL BASIS, SUBJECT NOW TO THE NEW PROCEDURE OUTLINED ABOVE. HOWEVER, COOPERATION AGREEMENTS MUST NOT DEAL (HERE ONE IS TEMPTED TO ADD, "TOO EXPLICITLY") WITH THE AREA OF TRADE CONCESSIONS. OUR SOURCE CITED THE RECENT DIFFICULTY WITH THE AGREEMENT BETWEEN ROMANIA AND THE NETHERLANDS AS A CASE IN POINT.

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THE ROMANIANS WANTED LANGUAGE WHICH THE COMMISSION ADVISED THE DUTCH WAS TOO CLOSE TO THE AREA OF THE COMMON COMMERCIAL POLICY. THE DUTCH WERE PERSUADED TO MAKE CLEAR TO THE ROMANIANS THAT THE PROPOSED LANGUAGE WAS UNACCEPTABLE AND WOULD HAVE TO BE DROPPED. THE ROMANIAN NEGOTIATOR FELT THAT HE COULD NOT CONCEDE THE POINT AND THUS RETURNED HOME EMPTY- HANDED. (SEE REFTELS C,D, E, AND F).

8. WHETHER THIS NEW CONSULTATION PROCEDURE WILL MOVE THE COMMUNITY TOWARD A TRUE COMMON COMMERCIAL POLICY IN EAST-WEST TRADE REMAINS TO BE SEEN. IT WILL PROBABLY TAKE SOME TIME BEFORE THE MEMBER STATES AND THEIR

EASTERN PARTNERS WILL BE WILLING TO GIVE UP TRADE AND/OR COOPERATION AGREEMENTS AS A KEY INSTRUMENT OF THEIR BILATERAL POLITICAL/ECONOMIC RELATIONS. (REF G, PARA 5 WOULD SEEM TO INDICATE THAT THE GERMANS, AT LEAST, ARE DESTINED FOR TROUBLE WITH THE COMMISSION IF THEY FOLLOW THROUGH WITH THEIR INTENTION TO GIVE PREFERENTIAL TREATMENT TO THE PRODUCTS OF FRG LICENSED ENTERPRISES IN CZECHOSLOVAKIA UNDER THE RUBRIC OF THEIR LONG-TERM COOPERATION AGREEMENT.)

9. ALSO NOT YET CLEAR IS THE EFFECT OF THE PROCEDURE ON AGREEMENTS WITH OIL-PRODUCING STATES. THOSE AGREEMENTS WILL, OF COURSE, INEVITABLY BE MORE AFFECTED BY THE RESULTS OF THE EC/ARAB DIALOGUE THAN BY THIS NEW CONSULTATION PROCEDURE. GREENWALD

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